

Message Text

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SUBJECT: MALTA 1973/74 BUDGET

REF: CERP 200; VALLETTA 595

1. MINFIN JOSEPH ABELA PRESENTED MLP' S SECOND BUDGET COVER-
ING FINANCIAL YEAR 1973/74 TO PARLIAMENT MARCH 24. TOTAL
ESTIMATED REVENUE, 50,733,000 MALTA POUNDS MADE UP AS FOLLOWS:
KKAL SOURCES WITH NO INCREASES IN TAXATION, 35,607,389 MALTA
POUNDS; RENT FROM DEFENSE FACILITIES, 13,642,000 MALTA POUNDS;
SOFT LOANS AND GRANTS LINKED TO RENT OF DEFENSE FACILITIES,
1,483,611 MALTA POUNDS. LAST SUME REPRESENTS FULL USE OF
SOFT LOAN FROM ITALY (983,611 MALTA POUNDS) FOR FINANCING NEW
NATIONAL AIRLINE, AIRPORT DEVELOPMENT, AND CIVIL ABATTOIR,
AND PARTIAL USE OF TWO MILLION DOLLAR EXCESS PROPERTY GRANT
AND FIVE MILLION DOLLAR LOAN FROM U. S. AS WELL AS ONE MILLION
DOLLAR LOAN FROM CANADA AND THIRTY MILLION MARKS FROM GERMANY.
THAT IS, TOTAL AMOUNT TO BE DRAWN DOWN FROM COMBINED U. S.,
CANADIAN AND GERMAN ASSISTANCE IS 500,000 MALTA POUNDS,
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WHICH IS TO BE USED FOR PURCHASE OF PORT EQUIPMENT AND TELEPHONES. ESTIMATED EXPENDITURE EQUALS REVENUE AND MADE UP AS FOLLOWS: 38,358,000 MALTA POUNDS FOR RECURRENT EXPENDITURE; 750,000 MALTA POUNDS EXTRAORDINARY EXPENDITURE FOR ESTABLISHMENT PIONEER CORPS, WHICH WILL FORM PART OF MALTA LAND FORCE; 11,625,000 MALTA POUNDS FOR INVESTMENT PROGRAM. THIS WILL LEAVE BALANCE OF 43,988 MALTA POUNDS IN CONSOLIDATED FUND ON MARCH 31, 1974; THAT IS, SAME AS FOR THIS YEAR.

2. IN ADDITION TO 11.6 MILLION MALTA POUNDS ALLOCATED FOR PROJECTS DIRECTLY CONTROLLED BY GOM, BUDGETARY MESSAGE NOTES BRITISH GOVERNMENT WILL BE CONTRIBUTING 300,000 MALTA POUNDS FOR RESTORATION BUILDINGS FORMERLY OCCUPIED BY BRITISH FORCES. THERE WILL ALSO BE OUTLAYS TOTALLING 1,650,000 MALTA POUNDS FOR AUTONOMOUS ELECTRICITY AND GAS BOARDS. ALL TOLD, THEREFORE, PUBLIC SECTOR WILL PUMP INTO ECONOMIC SYSTEM TOTAL INVESTMENT OUTLAY OF 13.5 MILLION MALTA POUNDS. FOLLOWING IS OUTLINE OF GOM PUBLIC INVESTMENT PROGRAM. DRYDOCKS: 930,000 MALTA POUNDS WILL BE SPENT ON DRYDOCKS DEVELOPMENT PROJECT. IN ADDITION PROVISION IS MADE FOR 500,000 MALTA POUNDS SUBSIDY TO COVER ANTICIPATED LOSSES DURING FISCAL YEAR. CIVIL AVIATION: 700,000 MALTA POUNDS ARE ALLOCATED FOR WORK ON AIRPORT EXPANSION PROJECT; THAT IS, RUNWAY AND TUNNEL PHASE. WATER: 950,000 MALTA POUNDS ALLOCATED FOR THREE MAIN PROJECTS; THAT IS, WATER- DRILLING, LEAKAGE- DETECTION PROGRAM, AND WATER CATCHMENT (RESERVOIR SCHEME). EDUCATION: 560,000 MALTA POUNDS BUDGETED FOR NEW INDUSTRIAL TRAINING CENTER. INDUSTRIAL DEVELOPMENT: 600,000 MALTA POUNDS ALLOCATED FOR FURTHER DEVELOPMENT CORRADINO INDUSTRIAL ESTATE. GOM WILL NOT RPT NOT UNDERTAKE PRE- DEMAND FACTORY CONSTRUCTION. TOURISM: TOTAL ALLOCATION FOR TOURISM WILL BE 500,000 MALTA POUNDS, WHICH INCLUDES 350,000 MALTA POUNDS TO BE USED ON OVERSEAS PROMOTIONAL CAMPAIGN. HOUSING: 300,000 MALTA POUNDS ALLOCATED FOR SLUM CLEARANCE. AGRICULTURE AND FISHERIES: 612,000 MALTA POUNDS.

3. MLP MEMBERS OF PARLIAMENT CHEERED LOUDLY WHEN TOLD PROPOSED BUDGET INCLUDES NO RPT NO NEW TAXATION MEASURES. (TAXATION WAS INCREASED BY 2.33 MILLION MALTA POUNDS IN LAST YEAR' S BUDGET.) NATIONAL INSURANCE CONTRIBUTIONS BY LIMITED OFFICIAL USE

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EMPLOYERS AND EMPLOYEES ARE TO BE INCREASED FROM 29.5 TO

45 MALTA CENTS IN ORDER TO PROVIDE FOR 15 PERCENT INCREASE IN OLD AGE PENSIONS AND SOCIAL ASSISTANCE BENEFITS AS WELL AS 50 PERCENT INCREASE IN SICKNESS, UNEMPLOYMENT, WIDOWS, AND RETIREMENT BENEFITS. GOVERNMENT EMPLOYEES TO RECEIVE PAYMENT OF HALF SALARY ARREARS AND INCREASE OF ONE MALTA POUND PER WEEK BEGINNING APRIL 1 TO MEET INCREASED COST OF LIVING, RISE IN NATIONAL INSURANCE CONTRIBUTIONS AND POTENTIAL INCREASE IN BUS FARES.

4. RE MONETARY POLICY ABELA SAID GOM AIM WAS TO MAINTAIN VALUE OF MALTA POUND AND PROTECT EXTERNAL RESERVES FROM DEPRECIATION PRESSURES OF OTHER CURRENCIES. GOM HAS DURING PAST YEAR REDUCED COST OF LOAN CONVERSION ISSUES BY PERSUADING LENDING INSTITUTIONS TO LOWER THEIR INTEREST RATES, PARTICULARLY TO GOM AND PUBLIC CORPORATIONS. ABELA NOTED CURRENT SURPLUS LIQUIDITY, WHICH IS LARGELY DUE TO GOM POLICIES, SAYING THIS " AUGURS WELL FOR OUR FUTURE DEVELOPMENT PROJECTS..." HE SAID POLICY OF STERRING MALTA POUND AWAY FROM UNTOWARD INFLUENCE BY OTHER CURRENCIES STARTED ON 1971 WITH DOLLAR CRISIS WHEN MALTA POUND WAS PUT FOR FIRST TIME AT A PREMIUM ON STERLING. ABELA NOTED THAT " CONTRARY TO PREDICTIONS PROPHETS OF DOOM THERE HAVE BEEN NO ADVERSE EFFECTS ON OUR EXPORTS AND THE COST OF IMPORTS HAS BEEN REDUCED." PRIMARY OBJECTIVE KEEPING MALTA POUND AT PREMIUM IN RELATION TO STERLING IS THEREFORE TO DIMINISH PRICE INCREASES ORIGINATING IN INFLATIONARY PRESSURES ABROAD. WITH REGARD TO PROTECTION OF MALTESE EXTERNAL RESERVES, HE NOTED THAT THESE ARE A " RESERVOIR OF STRENGTH FOR THE FUTURE." DESPITE INCREASE IN CENTRAL BANK'S EXTERNAL RESERVES FROM 89 MILLION MALTA POUNDS ON MARCH 30, 1972, TO 107 MILLION ON FEBRUARY 28 THIS YEAR, ABELA SAID THESE ARE " FAR FROM SUFFICIENT TO MEET FUTURE REQUIREMENTS."

5. COMMENT: ANTICIPATED DISILLUSIONMENT OF MLP SUPPORTERS REFLECTED IN FOLLOWING OBSERVATION OVERHEAD. " THE STRONG GREGALE (WIND) WHICH WE HAD ON FRIDAY (MARCH 23) OBVIOUSLY KNOCKED TO THE GROUND MOST OF THE FRUIT WHICH WE EXPECTED FROM MINTOFF'S BUDGETARY TREE." IN TYPICAL MLP FASHION NEW BUDGET HAS WORST EFFECT ON WORKING CLASS WHOSE NATIONAL INSURANCE PAYMENTS WILL BE INCREASED BY NEARLY 50 PERCENT. WHILE THE PRIVATE SECTOR WILL OBVIOUSLY WELCOME THE FACT LIMITED OFFICIAL USE

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THAT THERE ARE NO NEW TAXATION MEASURES , THEY WILL BE AFFECTED BY THE ONE POUND PER WEEK INCREASE FOR GOVERNMENT EMPLOYEES AS WELL AS THE INCREASE IN EMPLOYERS' CONTRIBUTIONS TO THE NATIONAL INSURANCE SCHEME WHICH WILL BE PASSED ON TO THEM. WHILE THIS BUDGET HAS BEEN CALLED AN EXPANSIONARY

BUDGET AND MUCH FANFARE HAS BEEN GIVEN TO THE MLP' S STATED
OBJECTIVE OF MAKING MALTA SELF- SUFFICIENT THROUGH INCREASED
EXPORTS, THE AMOUNT ALLOCATED FOR INDUSTRIAL DEVELOPMENT AS
A WHOLE IS ONLY 600,000 MALTA POUNDS; THAT IS, 20 PERCENT
MORE THAN THE AMOUNT ALLOCATED TO COVER THE ANTICIPATED
LOSSES OF THE DRYDOCKS DURING THE NEXT FISCAL YEAR. UNLESS
THE RECENT FINANCIAL REFORMS WHICH HAVE DISTURBED LABOR
RELATIONS AT THE DRYDOCKS HAVE AN EFFECT WHICH IS DIFFICULT
TO ANTICIPATE AT THIS POINT, THE FORECAST OF ONLY A HALF
MILLION POUND LOSS MAY BE UNREALISTIC. GETZ

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